9 June 1864
J C K

Reasons in favor of the Bill now before Parliament for the reorganization of the Ottawa and Prescott Railway.

The Ottawa and Prescott Railway Company was incorporated by Statute 13 and 14 Victoria, cap. 128. (The name was then the Bytown and Prescott Railway.) The Railway passes from Prescott to Ottawa City, and is 54 miles in length.

The Company was organized in 1851 and the Railway was opened throughout to Ottawa City in 1855. The total cost of Road amounts to..... $2,003,866

and is composed of the following items :

Shares.....		$431,756
Mortgages.		
1st Mortgage, 1855, to secure Bonds held by E. V. Company....	$476,933	
2nd do. to Municipalities, 1853.....	300,000	
3rd do. to Grand Trunk Railway Company, 1857.....	243,330	
		1,020,263
		$1,452,019
Interest.		
On 1st Mortgage.....	$154,432	
" 2nd do.	235,499	
" 3rd do.	34,166	
		424,097
		$1,876,119
debts.....		127,767
		$2,003,866

The first mortgage Bonds which are the first security were sold, and iron for the laying of the Rails purchased with the proceeds. These Bonds are now held by the Ebbw Vale Company who furnished the Iron, but which Company, during a period of ten years, that the Iron has been laid down, has only received about six months' interest upon the cost of it.

Proceedings in Chancery were taken some time ago to foreclose this mortgage, and under these proceedings the Railway is now in the hands of a Receiver, administering its affairs under the orders of the Court of Chancery.

Negotiations have taken place between the holders of this first mortgage, and the different parties interested in the Road, Shareholders and others, the result of which has been that a Compromise has been agreed upon, with the object of putting the affairs of the Company into a state which would enable it to carry on operations, and prevent the completion of the foreclosure of the mortgage and the sale of the Road by the Sheriff.

The basis of this arrangement is that the Bondholders shall be allowed to vote, and that the mortgagees shall so waive their legal rights as will enable the Company to go on without the necessity of pushing the Chancery proceedings to their necessary conclusion, and thus by sale, placing the whole property in the hands of the first mortgage, entirely destroy every interest coming after that of the first mortgage.

The Road and Rolling Stock are at present in a state of very great and dangerous dilapidation. Several wooden bridges on the Line are in an exceedingly insecure state, particularly the two structures ; one across the Rideau and the other across the Nation River.

The net Earnings of the Line up to this time have not only been insufficient to meet any Interest upon the first mortgage on the Road, but have barely sufficed to cover the working Expenses. Large amounts for wages and materials supplied for the use of the Road being now in arrear, and the Company encumbered by a very heavy floating debt, which it can by no possibility ever be able to pay.

The sleepers are greatly decayed and require renewing throughout a very large portion of the line ; the rolling stock is both entirely insufficient in quantity and in an unserviceable state, many must be regarded worthless.

With the present amount of rolling stock, it is quite impossible that the line can accommodate the traffic that will offer by the time that the seat of Government is removed to Ottawa, indeed it is quite certain that unless immediate steps are taken to reorganize the affairs of the Company, and put the road and rolling stock in proper repair, and to secure proper confidence on the part of the public that it will be impossible when the seat of Government is removed to Ottawa for the road to be kept open.

The Bill provides, that in addition to the reorganization of the affairs of the Company, and the placing of its various securities in a position which will give each a chance of obtaining something if the road should hereafter become more successful than it has been in the past, and that authority shall be given to raise a sum of $250,000 as a first charge upon the revenues of the road. This sum, if raised at all, must be found almost, if not entirely, by the holders of the first mortgage, and there is every reason to believe that if the present measure is passed they will consider that their interest will be best served by raising this amount of money and using it for the purpose of putting the road and Rolling stock in a proper and efficient position, in the hope that by this course they may be able not only to secure interest on this new first charge but place the road in a position to earn something for the first mortgage as well as for those parties who hold securities coming after them.

Unless this is done, the road must, during the approaching winter, if not sooner, come to an absolute stoppage. It cannot, in its present state, continue much longer to run trains, and certainly cannot attempt to carry traffic which will offer as soon as the seat of Government is removed to Ottawa. If therefore the present Bill is not passed there will be no course left but for the first mortgagees to enforce their present Chancery proceedings, (which are already in a forward state; the railway being now in the hands of a Receiver,) and as speedily as possible to have the Road sold under the directions of the Sheriff.

In doing this of course the Road must be stopped until such time as the necessary legal proceedings can be carried through, and measures taken for the reorganization of the Company and the placing of its affairs in a position which will enable money to be raised to execute these repairs which are indispensable to its proper and safe working.

Full evidence of the present position of the Company and the cause of the embarrassed state in which it now is will be given before the Railway Committee to which the Bill will be referred after it has been read a second time in the House.